

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

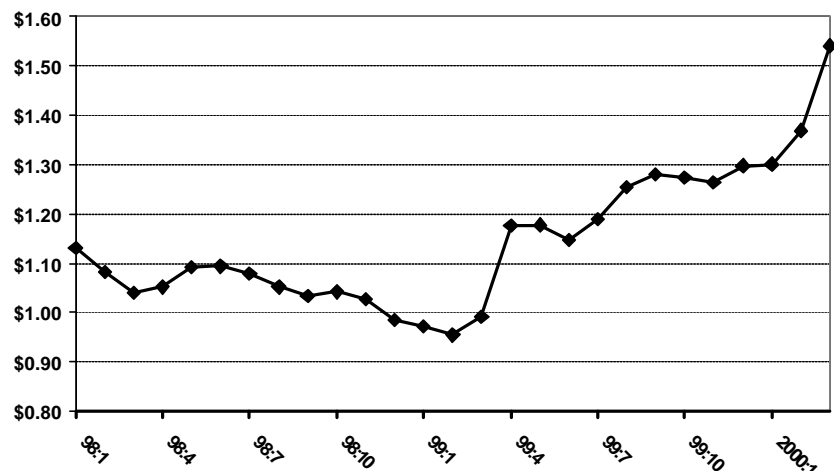
DIVISION OF FINANCIAL MANAGEMENT

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The Long Run. Last month, we compared recent prices for several Idaho farm commodities to their year-ago levels. In this issue, we extend the span of our study back to the mid-1980s. By doing this, two things become clear. First, although some prices remain low compared to the previous year, almost all of the recent prices have not reached record lows. (Milk is the exception. Its monthly prices in early 2000 have indeed flirted with its record low.) Second, it helps confirm the diversity of the state's agricultural sector. Prices do not usually peak or bottom out at the same time; this important feature helps to spread the risks associated with this cyclical industry. For some commodities, prices have recently peaked, while the prices for others have tanked. This was the case for some livestock products. It shows the price of beef cattle peaked at \$71.40/cwt. in April 1993 and bottomed out at \$46.70/cwt. three years later. Lamb prices climbed to a record \$94.00/cwt. in June 1997, which was a long way from its February 1991 low of \$37.10 /cwt. The price of milk shot to a staggering \$17.80/cwt. at the end of 1998, which was nearly double its low of \$10.10/cwt. in May 1991. Interestingly, wheat is the only crop to experience both its peak and valley in the 1990s. Specifically, the price of wheat averaged \$4.45/bu. in 1995 and \$2.25/bu. in 1998. One must search a wider horizon for the price extremes for other Idaho crops. For example, the price of sugarbeets rose to \$46.10/ton in 1995, but its record low of \$36.40/ton occurred in 1986. The price of hay displayed a similar distribution. Its high in 1997 of \$105/ton was more than double its low of \$49.50/ton in 1987. A major exception to the extremes of the 1990s was the price of potatoes. Both its peak and valley occurred in the 1980s. Specifically, the price of Idaho's most famous product averaged \$7.10/cwt. in 1989, which was up from \$3.30/cwt. just four years prior.

Cheap Gas! The rapid rise in gasoline prices has made going to the service station one of the most dreaded trips to make. As the accompanying graph shows, the average price for unleaded gasoline in urban areas has soared. It went from just under \$1.00 per gallon in early 1999 to over \$1.50 per gallon this spring. In some locales gasoline prices topped \$2.00 per gallon. Even at these prices, gasoline in the U.S. is still cheaper than in many other developed countries. And energy prices still remain a small portion of consumer purchases. So why are Americans so upset with rising gas prices? Perhaps it is because we are not used to rising prices. To see why, a short review of gasoline prices is warranted. With a few notable exceptions, the price of gasoline has drifted downwards over time. For example, adjusted for inflation, the price of gasoline declined from around \$2.50 per gallon in 1918 to about one dollar per gallon in 1995. But prices haven't always dropped. For example, virtually all of the decreases since 1918 were erased when real gasoline prices soared in the 1970s. Many Americans still remember the devastating results of that episode, and do not look forward to a repeat.

Average U.S. Monthly Price for Unleaded Gasoline in Urban Areas



Source: U.S. Department of Energy, Energy Information Agency

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General Fund Update

As of May 31, 2000

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY00 Executive Estimate ³	DFM Predicted to Date	Actual Accrued To Date
Individual Income Tax	892.2	842.2	904.3
Corporate Income Tax	99.3	87.4	107.9
Sales Tax	617.6	563.8	572.9
Product Taxes ¹	15.8	14.4	14.5
Miscellaneous	83.4	47.9	51.5
TOTAL GENERAL FUND²	1,708.4	1,555.7	1,651.1

¹ Product Taxes include beer, wine, liquor, and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of January 2000

General Fund revenues were \$23.5 million higher than expected in May, bringing fiscal year-to-date revenues to \$95.4 million above the estimate. Once again, the majority of the month's revenues reflect much stronger-than-predicted individual income tax collections. Almost a third of the month's strength was in the corporate income tax.

The May individual income tax was \$14.2 million higher than had been forecast. Over half of this strength was due to lower-than-projected refunds. Higher receipts from both withholding collections and filing payments were also factors. As of the end of May, the individual income tax is \$62.1 million higher than expected. Withholding collections accounted for \$22.7 million, and \$38.5 million is due to higher-than-anticipated filing payments. Year-to-date refund payments are almost exactly on target.

The corporate income tax was \$7.1 million above expectations in May, bringing year-to-date revenues to \$20.5 million above the estimate. The bulk of May's strength was in quarterly estimated payments that surpassed the predicted amount by \$5.3 million. The remainder of May's strength was due to lower-than-predicted refunds and higher-than-predicted filing payments.

The sales tax was \$1.8 million higher than anticipated in May, bringing the year-to-date total to \$9.1 million above the estimate. This is the fourth straight month of stronger-than-projected sales tax collections.

Both the product taxes and miscellaneous collections were very close to their May targets. The miscellaneous revenue category is now \$3.6 million ahead of the year-to-date forecasted amount.